



JOINT LEADERSHIP COUNCIL OF VETERAN SERVICES ORGANIZATIONS

PAY DAY LENDING

- 1. ISSUE:** To curb the predatory, deceptive, fraudulent, and usurious practices of certain businesses outside the gates of military installations that prey on service members and other unsuspecting citizens of the Commonwealth.
- 2. BACKGROUND:**
 - Three bills addressing this issue were introduced in the House of Delegates in 2005. None were passed.
 - The Department of Defense has done an in-depth study of this issue and cited it as one of 10 key issues affecting the quality of life of service members and their families. It has a direct effect on readiness.
 - Secretary Rumsfeld personally asked Governor Kaine to lead an effort for Virginia to pass legislation curbing predatory pay day lending practices.
 - The US Senate has attached an amendment to the 2007 Defense Authorization Bill to curb these practices and to set an interest rate cap of 36% APR.
 - The US House of Representatives has introduced bill HR 97 with similar provisions.
 - State legislation on this issue is needed.
- 3. DISCUSSION:**
 - Through the use of deceptive practices and lack of disclosures, pay day lenders now entice service members into short-term, high-cost loans that frequently lead to a spiral of debt that many find difficult to escape.
 - A common practice is to advance a member a portion their next pay check and in return, receive a post-dated check from the member including interest. Effective annual interest rates can be as high as 900%!
 - Lenders should not be permitted to base loans on prospective bad checks, electronic access to bank accounts, mandatory military allotments, or titles to vehicles.
 - Only eleven states, including Maryland, West Virginia, and North Carolina, have met the standard of preventing triple-digit interest rates. Virginia has not met even this minimum standard!
 - This issue is strongly supported by the Virginia Military Advisory Council, the Citizen Soldier Support Council, and the Joint Leadership Council.
- 4. RECOMMENDATION:** That the General Assembly pass legislation which at least meets the DOD requirements and mirrors federal legislation proposed in HR 97 and the Senate's amendment to the 2007 Defense Authorization Bill. As a minimum there should be an interest rate cap of at least 36% APR as well as controls on deceptive practices and requirements for full disclosures.